

{As Prepared for Delivery}

**Washington Ag Roundtable
December 13, 2005**

**Thomas C. Dorr
Under Secretary for Rural America
Remarks: Revitalizing Rural America**

**Thank you. It's a pleasure to be here today. And let me wish all of you
an especially Merry Christmas and Happy Holliday season this year ...**

**... Because this time next year, we're all going to be underwater on the
new Farm Bill, and we'll be looking back on the next couple of weeks
and wishing we could have them back. So enjoy them while you can.**

**Our topic today is "Revitalizing Rural America." That's a pretty big
subject. So I'd like to narrow the focus a bit with one observation and
one challenge.**

**The observation is that we DO stand at a turning point in rural policy.
Partly by plan and partly driven by external pressures, the policy
environment is changing. Slowly but surely, we are shifting from**

traditional, subsidy-oriented farm policy to something much broader.

The new vision is community-based, entrepreneurially driven, and market-oriented. We've talked about this for years. Now it's here.

The challenge is that the new Farm Bill, which I alluded to before, is almost here. It's close enough to drive the debate. The countdown has begun.

All of us will be involved in this discussion. All of us share a commitment to rural America and rural development. But each of us has a different portfolio. We have different responsibilities and report up different chains of command.

With that in mind, I'm going to dodge a couple of issues right up front. I am not going to speculate, for example, about what Congress will do in 2007 on commodity supports.

- **Obviously, Congress has reversed course in each of the last two Farm Bills.**

- **Just as obviously, budgetary and WTO pressures will again set limits on traditional commodity support programs.**
- **And last but not least, it's probably not necessary to mention that an election will intervene between now and the next Farm Bill. That might have something to do with the results.**
- **From a Rural Development perspective, however, that's all moot. We aren't in the commodity support business. In fact, many of you are probably closer to the pulse on that than I am.**

So I will stand clear of the commodity support debate. Nor am I going to get involved in the fight over broad budget allocations. Those are tough calls. The budget environment is tight. It will get progressively tighter as we baby boomers age and retire.

- **The dirty little secret – actually, it's not a secret – is that sooner or later Congress has to face up to entitlement reform. We all know it. Even the partisans who make short-term politics out of**

pretending otherwise know it – though of course they won't admit it. The politics are tough.

- **President Bush has invested serious time and energy on this. He deserves enormous credit for moving the debate. But we're clearly not yet over the hump on the Hill. As a result, discretionary spending remains under enormous pressure. And everything we do in agriculture is in essence discretionary.**
- **But from a USDA Rural Development standpoint, this again is a moot issue. It's above my pay grade.**
 - **At the appropriate time we will make a Departmental recommendation to the White House. The President will make his proposal to Congress. I can assure you that we will support the President's budget.**
 - **But ultimately, Congress will write the law. I will leave the lobbying up to you. Our obligation is simply to be a good steward of the money Congress gives us.**

With that said, let me return to “Revitalizing Rural America.” Again, I recognize that the issues I’ve sidestepped – commodity supports and federal budget marks – are not unimportant. If you work for one of the traditional commodity groups, they may be decisive.

But from a rural development standpoint, these issues in fact are very secondary. In the final analysis, revitalizing rural America is not a question primarily of commodity subsidies:

- Not when over 60 million people live in rural America, and only about 2 million of them farm.**
- Not when the farm sector has consolidated from over 6 million farms when I was born to about 2 ¼ million today.**
- Not when a large majority of farm families earn most of their income from off-farm employment.**

- **Not when 96% of the income in rural areas is derived from non-farm sources.**

Traditional commodity programs are an important concern to one very important segment of rural America -- but rural America is much, much more than corn, wheat, cotton, rice, and beans.

Nor does the revitalization of rural America depend primarily on federal economic development spending. If it did, we would be in deep trouble. There are 1001 competing priorities.

When it comes to economic development, the cities make their claims. Rapidly growing suburbs demand a share. Katrina blows ashore and wreaks incredible devastation -- and next year it will be another storm, and another the year after that.

All of these preempt resources, and there is never enough money to oil all the squeaky wheels. So if one assumes that government is the primary engine of development, the job clearly exceeds the funds available.

But that's the old model speaking. The new paradigm is very different.

Now, don't misunderstand me: what USDA Rural Development – and other federal and state agencies -- do is important. We can leverage, we can encourage, we can partner, we can lead. We can provide technical support and investment capital. We can help develop community and entrepreneurial leadership.

But in the end, if our investments aren't market-worthy, they will die on the vine. If we aren't attuned to market viability, all we're doing is building Potemkin Villages. And that does more harm than good.

There is another way. The new strategy for rural development is the product of many factors:

- **Structural changes in the farm economy and the diversification of the rural economy;**
- **Public policy constraints including tight budgets and WTO requirements;**

- **New industries such as ethanol and emerging opportunities in value added production and biotech;**
- **And the decentralizing impact of the internet, which moves rural communities into the global marketplace.**

Each of these is individually significant. Collectively, they are transformative. Rural America is shifting from a natural resources economy to a knowledge based economy. Our challenge is to help rural communities make that transition as seamless as possible.

This, of course, means different things for different communities. Counties differ in their resources, problems, and potentials. One size doesn't fit all.

Looking very broadly across the spectrum, however, there are at least three factors that stand out as engines of growth for rural America today: energy, broadband, and something that I call “place.”

Renewable energy is America's newest cash crop. It is inherently rural based. Biofuels will rely on agricultural inputs. Solar and wind have space requirements that are problematic in the cities. For rural areas, these technologies have unlimited potential.

We've waited a long time for this. Energy has been a political football for 30 years. But talk is cheap. Speeches and press releases don't produce energy -- if they did, the energy crisis would have been solved long ago.

The real barrier to renewables has been price. But \$50-60 per barrel oil has changes the equation. Alternative energy is taking off:

- U.S. ethanol production this year exceeded 4 billion gallons. The 7.5 billion gallon renewable fuels standard will keep that growth on track.**
- Biodiesel has soared from about 5 million gallons in 2001 to 25 million last year.**

- **U.S. wind power capacity by the end of last year reached 6,740 Megawatts, and another 5,000 MW are currently under construction or in negotiation.**
- **The U.S. Department of Energy estimates that wind can generate at least 6% of U.S. electricity by 2020. That's basically an extrapolation of current growth rates.**
- **All of these are growing areas of investment for USDA Rural Development. They will continue to be.**
- **When we reach the point at which we are driving our cars with ethanol from the Midwest instead of oil from the Mideast, we will have turned a very important corner – and the agricultural economy will have found its biggest new market in history.**

The second great, not-so-secret-weapon at work for rural America today is the internet, especially broadband.

It is a cliché to say that broadband is a revolutionary technology. Like most clichés, it's true. The computer and the internet are producing the most radical decentralization of information in human history.

With broadband, businesses don't need everyone in the same building so they can talk. Large organizations can be decentralized. Manufacturing and distribution systems can be managed over great distances. You no longer need to pay city prices, pay city taxes, put up with city congestion, just so managers can move papers from desk to desk.

Bit by bit, where we live and how we work are going to be reengineered. We're in the very early stages of this, but it's happening faster than many think.

I was in Plains, Montana, a couple of months ago for a presentation concerning a USDA Rural Development loan guarantee for a major modernization of the county hospital.

Plains is between Weeksville and Paradise on State Road 200. You can't miss it. With a population of about 1,100, it is the metropolis of

Sanders County. That’s just about the same size as Marcus, my hometown, so I speak with authority when I say it’s a “metropolis.”

The hospital is a broadband story because of the new hospital Administrator or, more precisely, her husband. The Administrator, with degrees in both law and nursing, left a prestigious job at Johns Hopkins for Plains because she wanted the rural quality of life, and because she wanted to raise her sons with the rural work ethic. That was the key factor in her choice.

But what really made that choice possible is the fact that the other half of the team, her husband, is a computer consultant who can work from anywhere. That made the choice easy. There are few things quite as liberating as the ability to work from anywhere.

Just ask Tom Pfozter about that. Tom operates a farmers market in Northern Virginia. I met him several years ago when I first came to USDA. He had worked for 15 years in the Dot.coms. He had it all: the high income, big house, big mortgage, crazy commute and impossible hours. After 15 years, he said “enough.” Today he’s rural by choice –

no commute, more house for a fraction of the price, a better quality of life all around.

I see people making these kinds of choices all around the country. And then I come back to USDA in Washington, D.C., where we have employees in carpools hitting the road at 4:30 and 5:00 in the morning for two and three hour commutes.

To compound the insanity, many of these folks are sitting in their van pools using Blackberries and laptops on wireless networks – telecommuting from the car simply because the office requires them to warm a seat for 40 hours a week.

And I think to myself, this is going to change.

That brings me to the third great growth opportunity for rural communities today. This is something I call “place.” That’s my own term -- and you may think of a better one -- for the whole matrix of rural competitive advantages.

“Place” is peace and quiet, a clean environment, and affordable housing. It’s a lower cost of doing business. It’s the kind of community in which you want to raise your kids. It’s the pace of life, low crime, and good schools.

These things are major competitive advantages. They always have been. But historically, the quiet life came with a high price tag. The country might have a higher quality of life, but the city had businesses and jobs and opportunity.

That meant people had to make a tough choice. The young and the ambitious headed to the city, or stayed there after college. They were drawn there by their jobs -- not always, but more often than not. In my graduating class 40 years ago, for example, I was one of the very few – maybe the only one – who came back.

But with modern transportation and communications -- the internet and interstate highways -- the next generation can have better choices. With investment in rural schools and hospitals, small towns can offer what we used to consider “urban” amenities.

With the decentralizing potential of the internet, rural areas suddenly can compete for businesses and jobs on a level playing field. With broadband, in fact, you can live locally and compete globally.

This means the competitive balance has shifted in a very basic way.

Remember Tom Pfozter. Rural communities that can generate good jobs and provide quality health care and schools are great places to live. And increasingly, people are voting with their feet.

To sum up: people have a remarkable capacity to adjust to change.

Many of the things I've just said seem almost old hat.

But to recognize how revolutionary they are in terms of farm or rural policy, take a moment when you get back to your office to browse through the table of contents of past Farm Bills. You can find them on the USDA website.

Until 2002, you will find Farm Bill after Farm Bill after Farm Bill, decade after decade, concentrating mainly on commodity programs with a nod to trade.

In 2002, that all began to change, with a dramatic new opening on energy issues and rural broadband. We've come a long way in three years. The new paradigm is being born.

I believe that 2007 will be a tipping point in defining and consolidating that new model. The opportunities are real. The payoffs are huge. The prospects are exciting. I look forward to being a part of that debate – and I look forward to working you to build a better future for all rural Americans. Thank you.